Q & A ON REQUIREMENTS WHEN ASSISTING HOUSEHOLDS WITH INCOMES GREATER THAN 60% AMI

Q1. Why does MSHDA OCD have greater requirements for homeowners with income over 60% area median income (AMI) who receive OCD funds for housing rehabilitation, than for households with income below 60% AMI?

A1. MSHDA OCD has limited funding available to assist homeowners in need throughout the state, therefore we want to make sure that priority is given to the lowest income level households (0-60% AMI). Those households with relatively higher income (60-80% AMI) have more ability to contribute toward the project costs, than lower income households.

Q2. Are OCD Grantees required to assist households with income above 60% AMI?

A2. No, all funds could be used to assist households at or below 60% AMI

Q3. I thought CDBG County Allocation Grantees who choose to have non-forgivable loans are not required to meet the 25% leverage requirement. Aren't they also exempt from requiring households over 60% to obtain other funds to help finance the rehabilitation project costs?

A3. No, CDBG County Allocation grantees may be exempted from the overall 25% leverage requirement for the homeowner rehabilitation activity, but are not exempt from having greater payback or leveraging requirements from households with incomes over 60% AMI.

Q4. Why is MSHDA so concerned with leveraging other dollars with OCD funds for homeowner rehabilitation?

A4. MSHDA OCD, on average only has approximately $10 million in federal HOME or CDBG dollars available per year to fund homeowner rehabilitation activities. This is enough to fund about 500 complete rehabilitation projects (at an average of $20,000 each). According to census data there are over 1,200,000 Michigan homeowner households with incomes below 80% AMI, and 856,000 of those homeowner households are below 60% AMI. MSHDA OCD funding only assists 1 out of 2400 HHs below 80% or 1 out of 1,700 HHs below 60% AMI. The more "other" dollars leveraged with OCD funds, the more projects can be done and low income households served.

Q5. What sources of leverage funds are there that MSHDA Grantees can utilize?

A5. There are a variety of resources available. MSHDA has a Property Improvement loan Program (PIP) with favorable interest rates and terms that can be utilized (PIP also pays a non-profit or local government PIP agent $300 for processing PIP loans). There is the Federal Home Loan Bank of Indianapolis www.fhlbi.com that has deferred forgivable loan funds for low income households. The USDA Rural Development also has a low interest loan program for home improvements http://www.rurdev.usda.gov/mi/. Homeowners can also fund their own leveraging to the project with private dollars.

Q6. MSHDA OCD policy states that Grantees should have a sliding scale in their program guidelines that indicates how households are assisted based on income. The Guides should demonstrate that higher income households (above 50 or 60% AMI) have greater payback requirements. Can MSHDA provide examples of how a sliding scale would look like?

A6. Yes, following are some examples of sliding scales of assistance that MSHDA Grantees could use.

Example 1 (Spartan County)

% of AMI	% of OCD Funds for Project	% of Leverage Funds
Up to 60% AMI	100%	0
>60 up to 70% AMI	90%	10%
>70 up to 80% AMI	80%	20%

Three examples of assistance for a $20,000 Homeowner rehabilitation project in Spartan County.

Household A has income at 55% AMI. They receive a $20,000 deferred loan from Spartan County.

Household B has income at 68% AMI and they receive a $18,000 deferred loan, and qualify and receive a $2,100 MSHDA PIP loan ($100 of loan is for the PIP origination fee).

Household C has income at 76% AMI and they receive a $16,000 deferred loan, and a $4,000 loan from their local bank.

Example 2 (Cashflow County)

% of AMI	% of OCD Funds as Deferred Loan	% as Local Repayable Loan
Up to 60% AMI	100%	0
>60 up to 70% AMI	90%	10% (1% interest – 5 yr term)
>70 up to 80% AMI	80%	20% (2 % interest – 10 yr term)

Three examples of assistance for a $20,000 Homeowner rehabilitation project in Cashflow County.

Household A has income at 55% AMI. They receive a $20,000 deferred loan from Cashflow County.

Household B has income at 68% AMI and they receive a $18,000 deferred loan, and qualify to receive a $2,000 local loan at 1% with a five year term. The monthly payment would be $34.19.

Household C has income at 76% AMI and they receive a $16,000 deferred loan, and qualify to receive a $4,000 local loan at 2% with a ten year term. The monthly payment would be $36.81.

Q7. It is really difficult to obtain leverage funds for us, and we don't have the capacity to service installment loans. Do you have another suggestion for requiring greater payback for households with incomes above 60% AMI that would be acceptable to MSHDA?

A7. Yes, another option would be to require greater payback at time of payoff, while not collecting monthly payments. The problem with this approach is that people can be losing more and more equity over time as the debt can grow. See below.

Example 3 (Low Capacity County)

% of AMI	% of OCD Funds as Deferred Loan	% as Deferred Repayable (with interest) Loan
Up to 60% AMI	100%	0
>60 up to 70% AMI	90%	10% (deferred + 1% interest)
>70 up to 80% AMI	80%	20% (Deferred + 1% interest)

Three examples of assistance for $20,000 Homeowner rehabilitation project in Low Capacity County.

Household A has income at 55% AMI. They receive a $20,000 deferred loan from Low Capacity County.

Household B has income at 68% AMI and they receive a $18,000 deferred loan, and qualify to receive a $2,000 deferred loan + 1% (accrued yearly).

NOTE: The payoff after ten years is $18,000 plus $2,000, plus accrued interest after 10 years of $209 – Total payoff = $20,209

Household C has income at 76% AMI and they receive a $16,000 deferred loan, and qualify to receive a $4,000 deferred loan at 1% (accrued yearly).

NOTE: The payoff after ten years is $16,000 plus $4,000, plus accrued interest after 10 years of $418 – Total payoff = $20,418.

Q8. Why do the above examples have a sliding scale for households over 60% AMI that starts at "10%" when the minimum contribution outlined in the policy bulletin is 5%?

A8. The sliding scale in the example is only an example, and Grantees are not required to adopt these examples. Although, MSHDA does encourage greater leveraging for households above 60% AMI than the 5% minimum requirement.

Q9. Are there other ways a Grantee could meet this requirement?

A9. Yes, grantees could propose other ways to meet this requirement. A proposal must be in writing to MSHDA addressed to the Grantee's CD Specialist. The grantee must receive written approval from MSHDA before implementing the plan.